Q7

Consider the following: 1. Foreign currency convertible bonds 2. Foreign institutional investment with certain conditions 3. Global depository receipts 4. Non-resident external deposits Which of the above can be included in Foreign Direct Investments? (a) 1, 2 and 3 (b) 3 only (c) 2 and 4 (d) 1 and 4 Official key: A.

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Explanation

(a) Official key

1, 2 and 3. FCCBs, GDRs and specified FII/FPI routes can count toward FDI as the paper keys them. NRE deposits are banking liabilities, not FDI.

(b)

3 only. Under-counts FCCB and the FII limb.

(c)

2 and 4. NRE is not FDI.

(d)

1 and 4. Drops GDR/FII; keeps deposits.

Summary

Official key is (a) 1, 2 and 3. Foreign-currency convertible bonds, GDRs and certain foreign-portfolio inflows are treated in the FDI/capital-account map as the item keys them. NRE deposits are non-resident bank deposits, not direct investment.

Related possible facts

These can be asked in a future Prelims paper.

FCCB
Bond convertible into equity; a hybrid capital inflow.

NRE account
Rupee account of an NRI; a deposit, not equity control.

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